

## **ITEM:**

## **REPORT BY THE MAYOR**

## **FINAL BUDGET 2020/21**

## **PURPOSE OF THE REPORT**

The purpose of the report is to submit the multi-year final 2020/21 budget of Thabazimbi Local Municipality to Council for approval.

## **STATUTORY/LEGAL REQUIREMENT**

Section 24(1) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

*“The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.”*

Section 24(2)(c) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

*“An annual budget must be approved together with the adoption of resolutions ... approving any changes to the municipality’s integrated development plan”*

Section 17 of the MFMA states that an annual budget must be in a schedule in the “prescribed format”.

Paragraph 9 of the Municipal Budget & Reporting regulations (MBRR) indicates that:

*“The annual budget and supporting documentation must be in the format specified in Schedule A and include all the required tables, charts and explanatory information.”*

Paragraph 14 of the MBRR indicates that:

*“An annual budget and supporting documentation tabled in a municipal council must be in the format in which it will eventually be approved by Council and be credible and realistic such that it is capable of being approved and implemented as tabled.”*

Section 22 of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

*“(a) in accordance with Chapter 4 of the Municipal Systems Act—*  
*(i) make public the annual budget and the documents referred to in section 17(3); and*  
*(ii) invite the local community to submit representations in connection with the budget; and*  
*(b) submit the annual budget—*  
*(i) in both printed and electronic formats to the National Treasury and the relevant provincial treasury; and*  
*(ii) in either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget”*

Section 87(1) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

*“The board of directors of a municipal entity must for each financial year submit a proposed budget to its parent municipality not later than 150 days before the start of the entity’s financial year.”*

Section 87(3) of the Municipal Finance Management Act (MFMA) No. 56 of 2003:

*“The mayor of the parent municipality must table the proposed budget of the municipal entity in the council when the annual budget of the municipality for the relevant year is tabled.”*

MFMA Circular 94 has been attached.

**National Treasury Circular 66** dated 11 December 2012 requires that the Auditor General must from 2012/2013 express an opinion in relation to non-cash items as it relates to unauthorised expenditure resulting from overspending.

## **STATUTORY/LEGAL REQUIREMENT** *(continue)*

**Section 160(2) of the Constitution** provides that a council may not delegate the approval of budgets or the imposition of rates, taxes, levies and duties. In other words, *only the council may make decisions related to the raising of municipal revenues and approving (or authorising) the spending of those revenues through the budget or an adjustments budget.*

**MFMA section 22.** Immediately after an annual budget is tabled in a municipal council, the accounting officer of the municipality must

(b) submit the annual budget

(i) in both printed and electronic formats to the National Treasury and the relevant provincial treasury;

## **BACKGROUND, EXPOSITION, FACTS AND PROPOSALS**

According to the original Budget Process Plan the annual 2020/21 budget has to be tabled to Council 90 days before the start of the new budget year, and it was supposed to be tabled to Council on 31 March 2020, but due to the National Pandemic COVID-19, it was tabled to Council on the 28 May 2020.

After the approval by Council of the tabled 2020/21 budget, the budget will be made public and submitted to National and Provincial Treasury. The municipality must embark on public participation for the Budget & IDP between March and April 2020 in terms of the 2020/21 IDP/Budget Process Plan approved by Council in August 2019.

The budget related policies are being reviewed and where any adjustments are required, the revised policies will be attached to the final item for approval.

The budget is divided into a capital and operating budget. The IDP projects are divided into projects of a capital and operating nature.

The 2020/21 municipal tariffs for rates, water, electricity, sewerage and refuse has been reviewed and are attached to this budget item.

All current investments have been committed in terms of the 2019/20 IDP & Budget and the 2020/21 IDP and Budget to such an extent that we are experiencing an operating shortfall in the medium term due to lack of accumulated surplus to fund the current operating losses, therefore the significantly reduced IDP budget.

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation is forecasted to be within the upper limit of the 3 to 6 per cent target band; therefore municipalities are required to ***justify all increases in excess of the projected inflation target for 2020/21*** in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups.

The Salary and Wage Collective Agreement for the period 01 July 2019 to 30 June 2022 has come into effect. The preparation of the 2020/21 is based on the concluded 3 year Salary and Wage Collective Agreement dated 15 August 2018 and linked to inflation rate as per **MFMA Budget Circular No. 99.**

- 2020/21 Financial Year – average CPI 4.5% + 1%
- 2021/22 Financial Year - average CPI 4.6% + 1%
- 2022/23 Financial Year - average CPI 4.6% + 1%

Municipalities are advised to use this Salary and Wage Agreement when preparing their 2020/21 MTREF budgets. The National Treasury's recommended CPI rate for 2020/21 is 4.5%, therefore salary increase is

## **BACKGROUND, EXPOSITION, FACTS AND PROPOSALS** *(continue)*

calculated at 6.25% for the next financial period as per bargaining council agreement. In terms of remuneration of councillors, Municipalities are further advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. ***Any overpayment to councillors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of section 167 of the MFMA and must be recovered from the councillor(s) concerned.***

The surplus in the 2020/21 operating budget of R5 million is funded as such spending should be kept at a minimum level in order to increase this projected surplus. The full amount of the surplus relates to an actual operating surplus in the 2020/21 year whereby the revenue received during the 2020/21 year will be enough to fund the budgeted 2020/21 operating expenditure. The Municipality will in future as revenue is not fixed per grants and the service charges, and majority of operating expenditure is salaries, bulk purchases and contracted services related which often increases by more than the CPI or relevant equitable share percentage increase.

The accumulated surplus from previous years is, as per the current state of affairs improving the position. This now has a beneficial effect on the IDP as surpluses which were previously allocated to the IDP. Attached as Budget Table SA10 and Annexure 12 is the funding measurement test which indicates that currently all years of the budget are still funded.

## **STAFF IMPLICATIONS**

Overtime of employees has been increased due to COVID 19.

## **FINANCIAL IMPLICATIONS**

See attached Schedules.

The Budget/IDP Road Shows was supposed to be held in March to May 2020 by the Offices of the Municipal Manager and Mayor. The costs will be defrayed from the IDP votes MM- IDP 203 and MM - Strategic planning 201, but due to COVID 19 and the National Lockdown, Public Consultation was conducted in a virtual way with business representation holders.

## **OTHER PARTIES CONSULTED**

TLM Section 54 Municipal Manager  
TLM Section 56 Managers  
TLM Divisional Managers  
TLM Councillors  
TLM IDP Forums  
Limpopo Provincial Treasury  
National Treasury

## **ANNEXURES**

### **Budget:**

Table A1	-	Budget Summary
Table A2	-	Budgeted Financial Performance (by standard classification)
Table A3	-	Budgeted Financial Performance (by municipal vote)
Table A4	-	Budget Financial Performance (by revenue source & expenditure type)
Table A5	-	Budgeted Capital Expenditure by vote, standard classification and funding
Table A6	-	Budgeted Financial Position
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Table A8	-	Cash backed reserves / accumulated surplus reconciliation
Table A9	-	Asset Management
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### **Supporting documents:**

Table SA1	-	Supporting detail to “Budgeted Financial Performance”
Table SA2	-	Matrix Financial Performance Budget (revenue source/expenditure per type)
Table SA3	-	Supporting detail to “Budgeted Financial Position”
Table SA4	-	Reconciliation of IDP strategic objectives and budget (revenue)
Table SA5	-	Reconciliation of IDP strategic objectives and budget (operating expenditure)
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Table SA11	-	Property rates summary
Table SA12a	-	Property rates by category (current year)
Table SA12b	-	Property rates by category (budget year)
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Table SA21	-	Transfers and grant made by the municipality
Table SA22	-	Summary councillor and staff benefits
Table SA23	-	Salaries, allowances and benefits (political office bearers/Cllr’s/senior managers)
Table SA24	-	Summary of personnel numbers
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## Supporting documents: *(continue)*

Table SA26	-	Budgeted monthly revenue and expenditure (municipal vote)
Table SA27	-	Budgeted monthly revenue and expenditure (standard classification)
Table SA28	-	Budgeted monthly capital expenditure (municipal vote)
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Table SA30	-	Budgeted monthly cash flow
Table SA31	-	Not required – municipality does not have active entities <b>(N/A)</b>
Table SA32	-	List of external mechanisms <b>(there is none)</b>
Table SA33	-	Contracts having future budgetary implications
Table SA34a	-	Capital expenditure on new assets by asset class
Table SA34b	-	Capital expenditure on the renewal of existing assets by asset class
Table SA34c	-	Repairs and maintenance by asset class
Table SA34d	-	Depreciation by asset class
Table SA35	-	Future financial implications of the capital budget
Table SA36	-	Detailed capital budget
Table SA37	-	Projects delayed from previous financial analysis <b>(to be determined in July 2020)</b>

Annexure 1	-	Tariff book for 2020/21
Annexure 2	-	Property rates Policy 2020 /21
Annexure 3	-	Virement Policy 2020/21
Annexure 4	-	Indigent Policy 2020/21
Annexure 5	-	Tariff Policy 2020/21
Annexure 6	-	Credit Control Policy 2020/21
Annexure 7	-	Asset Management Policy 2020/21
Annexure 8	-	Supply Chain Management Policy 2020/21
Annexure 9	-	Credit Control By-Law 2020/21
Annexure 10	-	Cash Management and Investment Policy 2020/21
Annexure 11	-	Borrowing Framework Policy 2020/21
Annexure 12	-	Funding and Reserves Policy 2020/21
Annexure 13	-	Cost Containment Measures Policy 2020/21
Annexure 14	-	IDP project summary
Annexure 15	-	Employees Salary Summary
Annexure 16	-	Organogram 2020/21 implementation status
Annexure 17	-	Circulars 99 of March 2020
Annexure 18	-	Cash available for 2020/21 IDP projects
Annexure 19	-	Quality Certificate for 2020/21 Budget
Annexure 20	-	A-schedule explanations
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Annexure 22	-	<b>Graphs</b>
Annexure 23	-	Tabled 2020/21 MTREF Provincial Treasury Feedback
Annexure 24	-	Breakdown of Councillors' 2019/20 salaries as per the Upper Limit Gazette
Annexure 25	-	Procurement Plan for 2020/21 IDP projects (DRAFT)
Annexure 26	-	SALGA Circular No.6/2018 - Salary and Wage Collective Agreement

## **AUTHORITY**

- Municipal Finance Management Act, No 56 of 2003
- Municipal Systems Act, No 32 of 2000
- Municipal Budget and Reporting Regulations, Notice 393 of 2009, Government Gazette no 32141 dated 17 April 2009
- The Division Of Revenue Bill 2020/21
- MFMA Budget Circulars, most recently is 99 for the 2020/21 Budget Year

## **RECOMMENDATIONS**

That:

1. The report by the Mayor regarding the 2020/21 Annual Budget of the Thabazimbi Local Municipality contained in the agenda, be approved.
2. Council approve the Annual Operating Budget for the financial year 2020/21 and indicative for the two projected outer years 2021/22 and 2022/23.
3. Council approve the multi-year operating and capital projects appropriations for the financial year 2020/21 and indicative for the two projected outer years 2021/22 and 2022/23.
4. Council approve the Tariffs reflected in Annexure 1 for the Budget year 2020/21.
5. Council approve all Policies reflected in Annexure 2 to Annexure 13 for the Budget year 2020/21.
6. Note that a salary increase for councillors of 4 % has been budgeted in the 2020/21 budget year.
7. Note that a salary increase for officials and managers of 6.25% has been budgeted in the 2020/21 budget year.
8. The tabled 2020/21 Budget and IDP be submitted to National and Provincial Treasury within 10 working days from approval.

## 2020/21 BUDGET – EXECUTIVE SUMMARY

The Annual Budget was prepared in terms of National Treasury MFMA Municipal Budget and Reporting Regulations. The growth parameters were calculated based on the average CPI and guidance of Circular 99, being 4.5% in 2020/21, 4.6% in 2021/22 and 4.6%

The multi-year draft budget is presented to Council for approval.

### REVENUE

Council's main source of income is Government Grants and Services Charges.

### **GRANT ALLOCATIONS – DIVISION OF REVENUE ACT (DORA)**

In terms of the 2020/21 Division of Revenue Act, the following allocations are made to Thabazimbi Local Municipality Council:

Description	2020/21	2021/22	2022/23
Equitable Share	116,315,000.00	112,526,000.00	122,869,000.00
Finance Management Grant	3,000,000.00	3,000,000.00	3,300,000.00
Expanded Public Works Programme	1,000,000.00		
Municipal Infrastructure Grant	44,024,000.00	35,651,000.00	37,573,000.00
Integrated National Electrification Programme	5,180,000.00	33,628,000.00	47,527,000.00
Water Services Infrastructure Grant	45,000,000.00	90,000,000.00	94,320,000.00
<b>Total Grants - Per DORA 2020/21</b>	<b>214,519,000.00</b>	<b>274,805,000.00</b>	<b>305,589,000.00</b>
Property rates	94,002,900.93	99,643,074.99	105,621,659.48
Service charges - electricity revenue	83,500,847.65	88,510,898.51	93,821,552.42
Service charges - water revenue	49,398,440.91	48,733,507.96	51,657,518.43
Service charges - sanitation revenue	25,072,495.31	25,689,748.97	27,231,133.91
Service charges - refuse revenue	16,147,319.78	17,116,158.96	18,143,128.50
Rental of facilities and equipment	461,889.91	489,603.31	518,979.51
Interest earned - external investments	58,066.80	61,550.81	65,243.86
Interest earned - outstanding debtors	25,793,476.08	27,341,084.64	28,981,549.72
Dividends received			
Fines, penalties and forfeits	64,747.46	68,632.30	72,750.24
Licences and permits	1,723,678.30	1,827,098.99	1,936,724.93
Agency services			
Other revenue	566,147.90	600,116.77	636,123.78
<b>Total Operating Revenue</b>	<b>296,790,011.02</b>	<b>310,081,476.22</b>	<b>328,686,364.79</b>

### **INTEREST RECEIVED**

Interest received is income from external investments and interest on outstanding debtors. Based on the current reserves and prevailing investment rates, a provision of R 25 851 542.88 is made in this regard.

## **REVENUE** *(continued)*

### **Services Charges.**

A 6% tariff increase is proposed at all our services charges. The current tariffs are attached per **Annexure 1**.

### **OTHER INCOME**

<b>Other Revenue</b>	<b>FY 2020/21</b>	<b>FY 2021/22</b>	<b>FY 2022/23</b>
Collection charges	10,199.58	10,811.55	11,460.25
Discounts and Early Settlements	6,283.66	6,660.68	7,060.32
Surplus Cash	5,640.35	5,978.77	6,337.50
Fees for Supply of Information	27,681.79	29,342.70	31,103.26
Town Planning Plan Copies	3,229.35	3,423.11	3,628.50
Staff Recoveries	8,783.16	9,310.15	9,868.76
Town Planning Building Plan Fees	158,479.04	167,987.78	178,067.05
Community Social Fees Graves	301,115.62	319,182.55	338,333.51
Endorsements	13,784.44	14,611.51	15,488.20
Clearance Certificates	12,049.31	12,772.26	13,538.60
Community Development Sale Of Photo Copies	3,564.65	3,778.53	4,005.24
Town Planning Fees Town Planning	15,336.95	16,257.17	17,232.60
<b>Total</b>	<b>566,147.90</b>	<b>600,116.77</b>	<b>636,123.78</b>

**The total budgeted revenue amounts to R 511 309 011.02 (2018/19 - R 444 516 381.61). This is an increase of 15% as compared to the 2019/20 original budget, primarily due to an increase in grants allocation for the 2020/21 financial period.**

Attached per **Tables A2, A3 and A4** are details on the revenue, vote and source.

## **EXPENDITURE**

### **EMPLOYEE RELATED COSTS**

Personnel expenditure increases in 2020/21 to R 135 834 995.75 for officials (2019/20 adjusted – R 127 002 231.00), including contributions to long service awards and post-retirement medical aid actuarial valuations.

Provision is made for a general increase of 6.25% for all employees. The Salary and Wage Collective Agreement for the period 01 July 2018 to 30 June 2021 has come into effect. The preparation of the 2020/21 is based on the concluded 3 year SALGA Circular No.6/2018 - Salary and Wage Collective Agreement dated 15 August 2018 and linked to inflation rate as per **MFMA Budget Circular No. 99**.

- 2019/20 Financial Year – average CPI 4.5% + 1%
- 2020/21 Financial Year - average CPI 4.6% + 1%
- 2021/22 Financial Year - average CPI 4.6% + 1%



## **EXPENDITURE *(continued)***

Travel allowances were budgeted for all Divisional Managers as well as other extensive travellers in terms of the TLM approved Travel Allowance Policy. There are 89 travel allowances budgeted for in comparison to a total Staff complement of 322 permanent employees (28%). No new travel allowances has been added for the 2020/21 financial year.

Performance bonuses for S57 managers is not budgeted for all managers due to the financial challenges being experienced by the municipality.

Budget is still provided for Provision for Leave and Provision for Officials' Bonuses due to the GRAP disclosure requirements for annual leave and officials' bonuses.

The total employee related costs amounts to R 135 834 995.75 when including long term provisions for 2020/21) which is a 6% increase on 2020/21 personnel budget.

The total amount contributes 34% (19/20 – 35%; 18/19 – 31%; 17/18 – 36%; 16/17 – 45%) of the total operating expenditure (including operating expenditure projects on the IDP, excluding roll overs).

## **REMUNERATION OF COUNCILLORS**

Councillors' salaries and allowances are based on the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. Any overpayment to councillors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of section 167 of the MFMA and must be recovered from the councillor(s) concerned. The budget is now compiled on a Grade 3. Provision is made for 1 full time councillor.

The total salaries and allowances for councillors amounts to R 10 624 638.96 (19/20 – R 10 215 972.66) and makes up 2.7% of the total operating expenditure, however this expenditure is subsidised by an equitable share allocation specifically for this purpose of R 5 169 000, resulting in under-funding of R5 455 638.96 for the 2020/21 financial period .

## **EXPENDITURE (continued)**

### **GENERAL EXPENSES**

General expenditure has been increased by an inflation rate of 6% with the exception of operating project expenditure. However, to support austerity measures as well as considering financial constraints faced by the municipality, no budget increases has been granted for catering and some expenditure votes have not been increased while other have been reduced.

The major general expenses are audit fees, office rent, Lease payment print rental, advertising, annual insurance, and accommodation. General expenditure also includes allocations to all the TLM Centres for the operation thereof.

<b>Other Expenditure</b>	<b>FY 2020/21</b>	<b>FY 2021/22</b>	<b>FY 2022/23</b>
Office Rent	850,000.00	889,100.00	929,998.60
Operating Leases: Other Assets	350,000.00	366,100.00	382,940.60
Lease Payments Printers Rental	1,900,000.00	1,987,400.00	2,078,820.40
HR Job Evaluation and Vetting	70,000.00	73,220.00	76,588.12
Promotion Of Tourism	500,000.00	523,000.00	547,058.00
IDP Public Participation	850,000.00	889,100.00	929,998.60
Advertising	700,000.00	732,200.00	765,881.20
Cell Phone Allowance	14,000.00	14,644.00	15,317.62
OHS Function	100,000.00	104,600.00	109,411.60
Entertainment	50,000.00	52,300.00	54,705.80
External Audit Fees	4,750,000.00	4,968,500.00	5,197,051.00
Insurance	1,750,000.00	1,830,500.00	1,914,703.00
PMU Admin	2,201,200.00	2,302,455.20	2,408,368.14
Printing and Publication	800,000.00	836,800.00	875,292.80
Resettlement Cost	800,000.00	836,800.00	875,292.80
Skills Levy	164,834.12	172,416.49	180,347.65
Accommodation	2,400,000.00	2,510,400.00	2,625,878.40
Travel and Subsistence	2,750,000.00	2,876,500.00	3,008,819.00
Protective Clothing	1,400,000.00	1,464,400.00	1,531,762.40
Human Resource Coida	731,111.61	764,742.74	799,920.91
LED Plan	500,000.00	523,000.00	547,058.00
Land Audit	500,000.00	523,000.00	547,058.00
GIS System	1,000,000.00	1,046,000.00	1,094,116.00
<b>Total</b>	<b>25,131,145.73</b>	<b>26,287,178.43</b>	<b>27,496,388.64</b>

### **REPAIRS AND MAINTENANCE**

An amount of R 14 629 799.74 (2019/20 – R 22 172 733.27) is budgeted and constitutes 4% (2019/20 – 6.1%) of the total operating budget. The provision is low due to the fact that we are having an ageing infrastructure assets. This provision is mainly for buildings, vehicles and equipment.

## **EXPENDITURE (continued)**

### **CONTRACTED SERVICES**

Contracted services refer to the IT services, Security Services, Legal Costs and Preparation of Annual Financial Statements

<b>Contracted Services</b>	<b>FY 2020/21</b>	<b>FY 2021/22</b>	<b>FY 2022/23</b>
Munsoft	2,717,000.00	2,841,982.00	2,972,713.17
Payday	261,250.00	273,267.50	285,837.81
Legal Service/Legal Costs	8,500,000.00	8,891,000.00	9,299,986.00
Fuel	2,000,000.00	2,092,000.00	2,188,232.00
Repairs and Maintenance	14,630,000.00	15,302,980.00	16,006,917.08
IT Services	4,500,000.00	4,707,000.00	4,923,522.00
Security Services	3,300,000.00	3,451,800.00	3,610,582.80
Review of SDF and LUMS	1,500,000.00	1,569,000.00	1,641,174.00
Events management	500,000.00	523,000.00	547,058.00
Biometric System	350,000.00	366,100.00	382,940.60
Preparation Of Annual Financial Statements and Assets Register	4,000,000.00	4,184,000.00	4,376,464.00
Supplementary Valuation Roll	200,000.00	209,200.00	218,823.20
Electricity New Connections	100,000.00	104,600.00	109,411.60
Record Management System	1,350,000.00	1,412,100.00	1,477,056.60
Employee Training	1,000,000.00	1,046,000.00	1,094,116.00
<b>Total</b>	<b>44,908,250.00</b>	<b>46,974,029.50</b>	<b>49,134,834.86</b>

**The total operating expenditure amounts to: R412 029 800.49**

**Including the IDP projects expenditure portion: R 506 233 800.51 (2019/20 - R 437 660 421.19 )**

**Excluding the IDP projects expenditure portion : R 367 121 550.00 (2019/20 - R 348 225 915.70)**

**Excluding IDP project expenditure, this is a decrease of 6.8% (2019/20 – 4.3%; 2018/19– 7.22%; 2017/18 – 28.4%; 2016/17 – 5.1%) as compared to the previous financial year's budgets. The MFMA Circular 99 allows an increase of 4.5% and therefore municipality is thus within the prescribed parameters.**

## **EXPENDITURE** *(continued)*

Attached per **Tables A2, A3 and A4** are details on the operating expenditure by GFS, vote and source.

A department constitutes a vote as per the MFMA definition. The following provisions were made per department:

### **EXPENDITURE PER VOTE**

<b>Expenditure per Vote</b>	<b>Operating</b>	<b>Capital</b>	<b>Total</b>
Vote 1 - 100 Political Office Bearer	37,564,722.23		37,564,722.23
Vote 2 - 200 Municipal Manager	3,464,436.00		3,464,436.00
Vote 3 - 300 Budget & Treasury	71,819,592.00		71,819,592.00
Vote 4 - 400 Corporate Services	48,710,604.00		48,710,604.00
Vote 5 - 500 Planning and Development	15,558,708.00		15,558,708.00
Vote 6 - 600 Community Services	12,685,343.09	15,472,800.91	28,158,144.00
Vote 7 - 700 Technical Services	113,291,422.88	79,551,199.12	192,842,622.00
<b>Total</b>	<b>303,094,828.20</b>	<b>95,024,000.03</b>	<b>398,118,828.23</b>

In 2019/20 the top 3 expenditure budget departments were Technical Services, Budget and Treasury and Community Services. This has slightly changed in 2020/21 to Technical Services, Budget and Treasury and Corporate Services.

## **IDP**

Projects are being identified in terms of Council's priorities and will be subjected to community participation processes.

The total budget allocation for projects is as follows:

2020/21	R 95 024 000.00
2021/22	R 159 279 000.00
2022/23	R 179 420 000.00

The IDP MTREF totals **R4 058 066.80** of which the funding sources can be summarized as follows:

FMG	R 3 000 000.00
Expanded Public Works Programme	R 1 000 000.00
Investment Income	R 58 066.80

The projects on the IDP are divided into operating and capital projects for the 2020/21 budget year, and are as follows:

IDP Capital	R 94 024 000.00
IDP Operating	R 25 131 145.73

The **R 850 000.00** currently included in 203 Public Participation is what is available for project prioritisation. Attached per **Schedule A5** are the details of the IDP by **GFS, vote and source**.

Attached per **Annexure 14** is a detailed breakdown of projects included in the IDP. The Budget is compiled on the projects and budget amounts recommended by the IDP Steering Committee.

## **OVERVIEW OF THE BUDGET PROCESS**

The 2020/21 IDP/Budget Process Plan was adopted by Council in August 2019.

The 2019/20 mid-year performance assessment was conducted in February 2020 which determined the 2019/20 Adjustment Budget and formed the baseline of drafting the 2020/21 Operating Expenditure budget (considering the mSCOA fundamentals, both zero-based and incremental budgeting was used to arrive at the budgeted operating expenditure).

Income amounts are based on the 2020/21 DORA issued in March 2020.

The projects prioritisation phase was finalised in June 2020 and the complete wish list of projects together with the proposed budgeted projects is tabled to Council with the final budget and will be implemented from the 1<sup>st</sup> of July 2020.

Feedback from the TLM website and newspaper adverts was considered during April and June 2020, and where possible, adjustments to the Tabled Budget has been made, where necessary.

The final 2020/21 budget & IDP is therefore tabled for approval on 30 June 2020, is not within the deadlines as stipulated by legislation due to COVID-19.

For further information on the IDP process, including IDP/Budget steering committee and IDP rep forum, please refer to the 2020/21 IDP item tabled separately to this report.

There was a deviations from the key dates set out in the 2020/21 IDP/Budget Time Schedule tabled in Council.

## **OVERVIEW OF THE ALIGNMENT OF BUDGET WITH IDP**

The budget and IDP preparation process ran consecutively and joint IDP/Budget Steering Committee meetings and Representative Forum hearings was held during the year.

The main priorities of the IDP projects are listed below and was considered during the project prioritisation phase for inclusions of projects into the budget:

1. Water, Sanitation and Electricity
2. Land and Housing
3. Institutional Development and Financial Viability
4. Waste Management, Environment and Tourism
5. Roads and Stormwater
6. Local Economic Development
7. Community Participation and Communication
8. Disaster Management
9. Transport Community Safety
10. Sports, Arts and Culture

Due to budget constraints all priority areas could not be accommodated in the 2020/21 budget.

## **MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS**

The measurable performance objectives and indicators as per IDP priority areas are as follows:

### Spatial Rational

- To ensure sustainable spatial development.

### Basic services and infrastructure development

- To ensure quality services to community by improving current infrastructure to sustainable levels and promotes environmental management system

### Economic Development

- To create conducive environment for sustainable local economic development.

### Financial viability and Management

- To ensure restoration of effective financial management, viability and accountability

### Good Governance and Public Participation

- Ensure that there are functional and accountable governance and management structures.
- Strengthen public engagement

### Municipal Transformation and organisational development

- To achieve a well transformed and Integrated Organisation.
- To ensure efficient administrative support services

The detailed objectives and indicators per KPA and IDP priority areas can be found in the SDBIP attached.

## **FINANCIAL MODELLING & KEY PLANNING DRIVERS**

The following key factors and planning strategies have informed the compilation of the 2020/21 MTREF:

- Policy priorities and strategic objectives
- 2019/20 Adjustment Budget and Performance against SDBIP
- 2018/19 audit outcome
- DORA
- Cash Flow Management Forecast for the next 3 years
- Improved and sustainable service delivery
- Sustaining the going concern of the municipality

In addition to the above, the strategic guidance given in National Treasury's MFMA Circular 99 have been taken into consideration in the planning and prioritisation process.

## **OVERVIEW OF BUDGET RELATED POLICIES**

The following budget policies have been reviewed and the revised versions, if applicable, are attached for approval with the final budget:

- Asset Management Policy 2020/21
- Tariff Policy 2020/21
- Tariff Book for 2020/21
- Property Rates Policy 2020/201
- Indigent Policy 2020/21
- Borrowing Framework Policy 2020/21
- Debt Collection and Credit Control Policy
- Investment Policy
- Cash Management and Investment Policy 2020/21
- Supply Chain Management Policy 2020/21
- Virement Policy
- Funding and Reserves Policy 2020/21
- Cost Containment Measures Policy 2020/21
- Procurement Plan 2020/21

## **OVERVIEW OF BUDGET ASSUMPTIONS**

The equitable share formula was reviewed in the prior years to also include an allocation to TLM for councillors' salaries and this has assisted in alleviating some of the cash flow constraints of TLM. The additional allocation received for Councillor Remuneration amount to R 5 169 000 in 2020/21 versus the budgeted 2020/21 Councillor Salaries of R 10 624 638.96. The municipality's cash inflows are though still increasing by less than the fixed operating expenditure, mostly due to personnel related expenditure increasing by more than inflation and this constitutes 38% of the operating budget (excluding operating IDP project expenditure) if all salary related benefits are included for officials and councillors. This has necessitated restrained expenditure, especially on the IDP, to ensure that cash outflows remain within the affordability parameters of the municipality's finances.

There are five key factors that have been taken into consideration in the compilation of the 2020/21 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook in terms of MFMA Circular 99;
- The impact of municipal cost drivers;
- The grants allocated in DORA; and
- The increase in the cost of remuneration.

Inflation has been assumed at 4.5% in 2020/21, 4.6% in 2020/21 and 4.6% in 2021/22.

Salary increases has been assumed at 6.25% in 2020/21 as per bargaining council agreement, 7% in 2021/22 and 7% in 2022/23.

For simplicity, the 2020/21 MTREF is based on the assumption that all investments are undertaken using fixed interest rates.

Cash flow is assumed to be 90% of billings, due to the majority of clients being cash clients, plus no provision for doubtful debt as old disputes have been written off and there are currently no new disputes or long outstanding debts.

## **OVERVIEW OF BUDGET ASSUMPTIONS** *(continued)*

It is estimated that a spending rate of 100% is achieved on operating expenditure and 100% on the capital programme for the 2020/21 MTREF of which performance has been factored into the cash flow budget.

It is assumed that all conditional grants will be fully spent by 30 June 2021 and all future years of the current MTREF and no roll overs have been budgeted for Interest on investments has been assumed at an average annual rate of prime minus 3.85% on the basis that the total amount to be invested will reduce as the year progresses. Interest on current account has been assumed at 3.4%, which is the current prime interest rate of 7.25% minus 3.85% as agreed with our banking service provider.

## **LEGISLATIVE COMPLIANCE STATUS**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

### **1. In year reporting**

Reporting to National Treasury in electronic formats was complied with on a monthly basis within average of 10 working days. This also includes reporting to Provincial Treasury and transferring departments for conditional grants. Section 71 reporting to the Executive Mayor (within average of 10 working days) was also complied with and includes supporting documentation pertaining to material month end procedures.

### **2. Internship programme**

The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the BTO. Although there have not been 5 at all times during the year, we endeavoured to have vacancies filled in internships as soon as possible. The majority of interns have been permanently absorbed by the municipality. We are now having two interns at the moment.

### **3. Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

### **4. Audit Committee**

An Audit Committee has been established and is fully functional.

### **5. Service Delivery and Implementation Plan**

The detail SDBIP document will be finalised for council approval in June 2020 and will be aligned and informed by the 2020/21 MTREF Budget and IDP.

### **6. Annual Report**

The Annual report is compiled in terms of the MFMA and National Treasury requirements and was not approved within the required timeframes.

### **7. MFMA Competency**

Skills assessments have been conducted in terms of the Minimum Competency Gazette and special merit cases have been registered with and approved by National Treasury.



## **8. Policies**

All MFMA Circulars and Regulations have been considered in the review of policies to be approved with the final budget.